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CENTRAL INTELLIGENCE AGENCY
Office of the Chief, Economic Research
Office of Research and Reports

Project Action Memorandum

Project No. 10.1082
Date: 13 April 1956

TITLE: Revision of OCI Country Handbook on USSR

REQUESTER: OCI

STATEMENT OF THE PROBLEM AND TERMS OF REFERENCE:

Problem: To review, revise and up-date the pertinent economic portions of the OCI Handbook on USSR.

Terms of Reference: (1) Special attention should be paid to deletion of material no longer having current significance or background value, and to adding information on recent important developments.

(2) 1955 data should be added wherever possible.

(3) Total length and outline should remain the same.

RESPONSIBILITY:

| | | <u>Man-hours</u> | <u>Due Date</u> | <u>Concurrence (Initials)</u> |
|--------------------------------|-------|------------------|-----------------|-----------------------------------|
| <u>Action Division:</u> | D/A | | 18 Apr 56 | <u>RVG</u> |
| <u>Branch:</u> | A/U | 40 | | <u>HM</u> |
| <u>Contributing Divisions:</u> | D/M | 12 | | <u>LWB</u> |
| | D/S | 16 | | <u>Rnt</u> |
| <u>Staffs:</u> | St/PR | | | <u>HJP</u> |
| | CSS | | | |

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Principal Analyst: [REDACTED] x 8781

Project Monitor: [REDACTED] x 4555

This project will not delay completion of currently scheduled projects.
The classification of this project will be no higher than SECRET.

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Current Issues

The directives of the Sixth Five-Year Plan and subsequent statements and actions of the leadership disclose no change in the pursuit of a policy of rapid economic growth. The distinguishing features of recent economic programs are the methods chosen to achieve this primary goal. The belated recognition of the need to expand agricultural output to satisfy the demands of the population for higher standards of food and clothing consumption continues to be evidenced in both income incentives and in more favorable investment policies. The increasing necessity to rely on rising labor productivity rather than mere increase in numbers of workers for greater industrial output is being faced by both the emphasis on production of livestock products and by an accelerated program of industrial investment. In particular Soviet leaders have stressed the importance of technological innovation with belated interest in the problem of equipment obsolescence and have exhibited a more realistic awareness of managerial and organizational deficiencies.

Utilizing these basic means the Sixth Five-Year Plan envisages a 65 percent growth in industrial production with a 70 percent rise in the heavy industrial component. Attainment of both goals is likely, given not too wide a margin of productivity underfulfillment and the presence of a reserve of labor within the total available for non-agricultural employment. The agricultural goals of a doubling in grain and livestock product output

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are overly ambitious, but probable growth will insure generous increases in living standards. The corn program in the traditional agricultural regions and the expansion of breadgrain production in the "New Lands" farther east are directed toward this end. The recently announced measures to diminish the role of the private plot, while disequilibrating transitionally, are designed to make far more efficient use of labor in the care of livestock.

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4. Policies

b. Domestic: The primary consideration motivating internal policy is the maintenance of control by the governing hierarchy over the other segments of the population while simultaneously facilitating rapid industrial growth. Organisationally this control is manifested by the collectivization of agriculture, and direct state control of industry, transport, trade, education, and cultural pursuits.

Since Stalin's death greatly increased emphasis has been placed on expansion of agricultural output as the key to improvement in living standards without, at the same time, jeopardizing the rapid growth of heavy industry. This solicitude for the consumer is prompted by the realization that the declining rate of additions to the labor force resulting from lowered wartime birth rates must be offset by rises in labor productivity if rapid increases in industrial output are to be sustained. Complementary to the incentive aspect of the labor productivity problem is the continuing emphasis on investment, with belated recognition of the role of equipment obsolescence.

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7. Labor Organization: Trade unions embrace approximately 90 percent of the eligible workers and employees of the USSR. They are organized on an industrial rather than a craft basis and they include clerical and administrative personnel as well as manual workers. The pyramidal structure of the trade union organization parallels that of party and Soviet organs. Superimposed on the factory committees, the basic unit, are the regional, provincial, republican and all-Union organs. At the summit is the All-Union Central Council of Trade Unions, elected to a four-year term by the All-Union Congress of Trade Unions. The council elected at the last All-Union Congress in June 1954 was composed of 174 members and 55 alternates. The council in turn elects a presidium which acts as its executive arm. Viktor V. Grishin is Chairman of the All-Union Central Council, having been appointed in March, 1956.*

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SECRET2. Important Trade Agreementsa. Formal Trade Agreements

| <u>Country</u> | <u>Type</u> | <u>No. Years' Duration</u> |
|---------------------|--|--------------------------------|
| Afghanistan | Trade (23 Nov 55) | 1 |
| Albania | Annual protocol under long-term agreement of Feb 51 (11 Feb 56) | - |
| Argentina | Trade (20 May 55) | 1 |
| Bulgaria | Trade (14 Jan 56) | 1 |
| Czechoslo- vakia | Trade (14 Dec 55) | 5 |
| East Germany | Annual protocol under long-term agreement of Sept 51 (3 Dec 55) | - |
| Egypt | Trade (23 Sept 55) | 1 |
| Finland | Annual protocol under long-term agreement of June 50 (1 Jan 56) | - |
| France | Trade (15 Sept 55) | |
| Greece | Trade (28 Jul 54) | 1 |
| Hungary | Annual protocol under long-term agreement of Jan 52 (3 Feb 56) | - |
| Iceland | Trade (23 Sept 55) | |
| India | Trade (23 Dec 55) | 1 |
| Iran | Trade (17 June 54) | 1 |
| Israel | Trade (3 Nov 55) | - |
| Italy | Trade (12 Aug 55) | 1 |
| Japan | Trade (25 May 55) | 1 |
| Lebanon | Trade (11 Sept 55) | 1 |
| North Korea | Trade (26 Jan 56) | 1 |
| Norway | Trade (1 Jan 56) | 1 |
| Poland | Annual protocol under long-term agreement of June 50 (8 Feb 56) | - |
| Rumania | Annual protocol under long-term agreement of Aug 51 (11 Feb 56) | - |
| Sweden | Trade (1 Jan 56) | 1 |
| Yugoslavia | Trade (3 Oct 55) | 1 |

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SECRETb. Other Soviet Trade

| <u>Country</u> | <u>Type</u> |
|----------------|--|
| Belgium | Trade agreement expired 1 Jan 55; negotiations pending. |
| Denmark | Negotiations for a trade agreement which initially broke off in July 1954 have not been reopened. Some trade continues in the absence of a formal trade agreement. |
| Italy | Negotiations in progress for renewal of the trade agreement which expired 27 Oct 54. |
| Japan | Provisional conclusion of barter agreements totaling \$30,000,000 to \$50,000,000 each way for period 1954-55. |
| Netherlands | Trade agreement expired 1 Jan 55; no indications as to when trade negotiations will take place. |
| Norway | Some trade continues in the absence of a trade agreement for 1955. |
| Sweden | Negotiations for 1955 trade agreement at standstill. |
| Turkey | 20-year-old agreement providing for a barter exchange of goods reactivated in Dec 54. |
| UK | The UK is an important trading partner of the USSR, although no trade agreement exists. In 1954 UK-USSR trade amounted to \$146,141,000. |
| Uruguay | Two-year payments agreement signed 28 Jul 54. |

c. Credit Agreements

| | |
|-------------|---|
| Afghanistan | Credit of \$3,500,000 extended by USSR (27 Jan 54). Credit of \$600,000 extended by USSR (April 54). Credit of \$2,100, |
| Bulgaria | Credit of \$92.5 million extended by USSR 3 Feb 56 for a period of 10 years. |
| Yugoslavia | Credit of \$84 million extended by USSR on 2 Feb 56. |

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III. Economic

A. Currency (no change)

B. Banking System - Completely nationalized. All financial

operations of every economic enterprise are conducted either through the offices of the State Bank (Gosbank) or of one of the four special investment banks of the Ministry of Finance.

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C. Basic economic trends and factors

1. Basic trends:

The Soviet Union is entering a period of economic competition with the Western world, and with the United States in particular. Its trade penetration of underdeveloped countries is producing economic and political dividends, at the expense of American prestige. The arena of competition embraces the relative size of Soviet and American industry, with the USSR pressing expansion of industry to the utmost in an attempt to overtake the United States.

Soviet economic policy emphasizes growth of the economy and of military strength. Maintenance of a high level of investment and of military expenditure has subordinated the growth of living standards. Nevertheless, the Soviet consumer saw tangible improvement of his situation during the Fifth Five-Year Plan and will continue to see improvement. Expansion of agricultural output was long permitted to lag hopelessly behind growth of the rest of the economy. The Sixth Five-Year Plan continues the agricultural policy reform begun in 1953 and stresses ambitious goals for 1960 production. The goals appear much too high, yet substantial improvement should occur in the quality of the Soviet diet by 1960. The production plans for heavy industry lie at the heart of the Soviet competitive effort. The industrial goals for 1960 do not appear beyond Soviet capabilities.

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SECRET**2. Basic factors.**

Important economic factors are operating to limit expansion of the Soviet economy during the next five years, although it is anticipated that the industrial goals may be fulfilled. The effects of the wartime reduction in birth-rate will be felt, as fewer new workers enter the labor force than during 1951-55. Labor will have to be allocated more carefully than in previous years. Plans to increase labor productivity will assume greater importance than ever with emphasis on automation, modernization of plants, and introduction of new technology.

The expansion of Soviet industry is outstripping the old resource base. New mines, power stations, and metallurgical combines are to be opened up in the areas east of the Urals, in particular in Kazakhstan and Siberia. This effort in the Eastern areas and the Urals will require virtually half the capital investment program. Expansion of the machine-building and metal-fabricating industries, which are concentrated in the established industrial areas, will have to rely extensively upon expanding production from existing plants.

After 1960, many economic factors which restrict economic growth become more favorable once more. By then, the rate of additions to the labor force will recover. A good start should have been made upon expansion of the resource base. Thus, future prospects for the expansion of the Soviet economy look impressive.

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2. Currency Stability

Since 1954, measures have again had to be taken to counteract mounting inflationary pressures. No general retail price decreases have been granted in 1955 or 1956. The annual state loan, which in 1953 and 1954 was set at only half the customary postwar level, was returned in 1955 and 1956 to its original high level. The wage system, which in the past tended to creep upward partly as a result of outmoded work norms, was turned over to a new Committee on Labor and Wages in 1955 for a complete overhaul. Agriculture alone, in 1955 and 1956, has received treatment designed to increase incomes. In an effort to increase agricultural production, the state has increased procurement and voluntary delivery prices for agricultural products on several occasions since 1954.

3. Government Controls

Since 1953, the State has introduced a series of measures to decentralize economic controls. A number of ministries have been changed from all-union to union-republic status, giving republic officials greater economic responsibility; scarce items which had been allocated centrally by the state have been removed from the list; the individual enterprise now operates under an abbreviated enterprise plan which permits some freedom of action heretofore denied the manager of the enterprise. Detailed planning of agricultural activity no longer comes from the center, although the collective farm and the MTS still must plan in such a fashion that

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state determined delivery quotas are met. The broadening of economic powers at the lower levels in agriculture has been accompanied by a strengthening of Party supervision in rural areas.

SECRET**D. Soviet Budget:**

Total Expenditures
and Military Expenditures
1952-56
(in billions of current rubles)

| Year | Total Expenditures | | Military Expenditures** | Military Expenditures as percent of | |
|---------------|--------------------|---------|-------------------------|-------------------------------------|------------|
| | Announced | Real* | | Announced Total | Real Total |
| 1956 (plan) | 569.6 | 569.6 | 102.5*** | 18.0 | 18.0 |
| 1955 (actual) | 537.8 | NA | NA | NA | NA |
| 1955 (plan) | 563.5 | (541.0) | 112.1*** | 19.9 | (20.7) |
| 1954 (actual) | 553.9 | NA | NA | NA | NA |
| 1954 (plan) | 562.8 | (517.3) | 100.3 | 17.8 | (19.4) |
| 1953 (actual) | 514.7 | NA | 105.0 | 20.4 | NA |
| 1953 (plan) | 530.5 | (487.3) | 110.2 | 20.8 | (22.6) |
| 1952 (actual) | 460.2 | 460.2 | 108.6 | 23.6 | 23.6 |

* In 1953, 1954, and 1955, the budget was inflated by the inclusion of unorthodox entries reflecting tax cuts made in connection with reductions in retail prices and increases in agricultural procurement prices. Figures in parentheses show totals and percentages adjusted to exclude these entries.

** These figures represent announced expenditures of the Ministry of Defense. They exclude outlays for construction of defense plants, some military research and development, and atomic energy.

*** The 1956 (plan) figure of 102.5 billion rubles is not directly comparable with the 1955 (plan) figure of 112.1 billion rubles, for several reasons. First, the mid-1955 industrial price cut may have reduced procurement costs by approximately 5 billion rubles. At the same military personnel strength, this would imply a decrease in procurement of perhaps 5 billion rubles. However, if the 640,000-man reduction in the Soviet Armed Forces was carried out as announced in 1955, it would have decreased personnel costs by about 5 billion rubles, freeing this sum for procurement. The combined effect of the price cut and the force reduction would therefore be about 10 billion rubles, or enough to maintain procurement at approximately the 1955 level. In addition, procurement costs will also decline in 1956 as various recently introduced models of military equipment, particularly aircraft, advance further into quantity production. It is thus possible, in view of all three factors, that the 1956 allocation will finance the procurement of more end-items than the 1955 allocation.

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1955 Gross National Product
 (Billions of 1953 rubles)
 Distributed by End Use

| | <u>Ruble Expenditure</u> | <u>Percent of Total Ruble Expenditure</u> |
|-----------------------|------------------------------|---|
| Consumption | 724 | 61.3 |
| Administration | 25 | 2.1 |
| Defense | 152 | 12.9 |
| Investment | <u>280</u> | <u>23.7</u> |
| Distributed GNP | 1181 | 100.0 |
| Undistributed portion | <u>122</u> | |
| GNP | 1303 | = \$138,000,000 |

An over-all ruble-dollar ratio of 9.4 to one can be applied to the GNP estimates for 1955 US dollar conversions. Thus the Soviet GNP for 1955 can be expressed as about 138 billion 1955 US dollars. The over-all conversion ratio should not be applied to the individual sector totals in rubles. Ruble-dollar ratios for the individual sectors are 12.5 to one for consumption, 7.8 to one for investment, 3.4 to one for defense, and 2.5 to one for administration.

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E. Natural Resources

1. Agricultural: The USSR has generally followed a policy of self-sufficiency in agricultural products. However, the relative neglect of the agricultural sector in the Five-Year Plans has not equipped it to produce enough to provide a substantial rise in the standard of living for an expanding population. Currently the government is giving unusual attention to increasing agricultural production and has been active in importing surplus agricultural commodities from underdeveloped countries in exchange for industrial goods.

Grain and meat are the most important agricultural products. The USSR is one of the world's largest grain producers and normally enters the grain export market although to a much lesser extent than in the prerevolutionary period. The 1955 total grain production is estimated at about 100 million metric tons. Although meat production has risen steadily since the war, the 1955 estimated output of approximately 4 million metric tons is still below the 1929 level for the territory now included in the USSR.

Also a major producer and exporter of timber, the USSR had an estimated 1955 output of 400 million cubic meters of round wood.

2. Mineral: Geologically well endowed with a wide variety of minerals; Soviet production in relation to world output of important metals is as follows:

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| <u>Product</u> | <u>1955 Production (Metric tons)</u> | <u>Approx. Per Cent of 1954 World Production</u> |
|--------------------|--|--|
| Aluminum (primary) | 545,000 | 18 |
| Copper (primary) | 412,000 | 15 |
| Zinc | 247,000 | 10 |
| Iron ore | 70,000,000 | 23 |
| Lead | 220,000 | 9.5 |
| Manganese ore | 5,300,000 | 45 |
| Tin (primary) | 9,700 | 5 |
| Crude steel | 45,200,000 | 18 |
| Pig iron | 33,300,000 | 19 |

In addition, the USSR is one of the world's largest producers of gold.

The supply of iron ores and manganese ores is more than adequate for present needs, allowing shipments outside the Sino-Soviet Bloc.

The Sixth Five-Year Plan emphasizes development of ferrous metallurgy in the East. During the next two or three five year plans a third metallurgical base is to be created in Eastern and Western Siberia, and in the Kazakh SSR with an annual capacity of from 15 to 20 million tons of pig iron.

Internal production of aluminum, zinc and lead is sufficient for normal industrial demands. The tin supply is adequate only when imports from China are included. Although copper production has been increasing rapidly, it is still inadequate to meet present demands. Under war conditions, however, domestic production of nonferrous metals would probably be deficient.

3. Energy: Two-thirds of the total Soviet energy output is now derived from coal. In the future the relative importance of coal in the fuel balance will decline, with petroleum, natural gas and, to a smaller degree, hydroelectric power accounting for more prominent shares in the

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total energy output. As demand for coal tended to grow more rapidly than production during 1953-54, the USSR found it necessary to raise the 1955 target from 373 million to over 390 million tons. Actual production was 391 million tons, an increase of 44 million tons over 1954. During the Sixth Five-Year Plan, coal output is to be raised 52 percent to 593 million tons, including 212 million tons from the Donbas and 88 million tons from the Kuzbas. 1955 crude oil production (including natural gas liquids) was 70,800,000 metric tons, 80.5 percent of bloc production, or 9.0 percent of world production. Natural gas production was 8,140,000 metric tons, 60.4 percent of bloc production, or 2.8 percent of world production.

The Sixth Five-Year Plan envisages the same percentage increase in electric power production as was attained in the Fifth.

The 1955 production of 170 billion kilowatt-hours was about 1/4 that of US and comprised about 11 percent of total world production, while the 1960 goal of 320 billion kilowatt-hours is about one-third of estimated US power production in 1960. Hydroelectric power will amount far less than 1/5 of total planned 1960 power production.

If the 1960 target of 2.0 - 2.5 million kilowatt of nuclear electric power plants is attained, power from this source will account for about 3 percent of total USSR electric power production in 1960.

A 400 kilowatt transmission network connecting major power systems in European USSR and the Urals is planned to be completed by 1960.

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Work on a high voltage network in East and West Siberia to transmit power from the large hydroelectric stations under construction in Siberia.

F. Industry

1. Capital Goods: Since the inauguration of the Five-Year Plans, heavy industry has received high priorities with the objective of making the USSR a self-sufficient industrial economy. Even under the present Five-Year Plan, 70 percent of industrial output was to be devoted to the manufacture of producer goods. Although the program for rapid industrialisation imposed considerable strain on the population, the country has equipped itself with a formidable industrial potential.

The USSR, however, maintains continuing interest in importing a wide range of industrial equipment, especially models of advanced technical design. Under war conditions, some industrial bottlenecks would likely arise because of deficiencies of certain sizes of ball bearings, certain nonferrous metals and natural rubber. The state-reserves program is probably designed to mitigate these difficulties.

2. Consumer Goods: Has typically been the neglected area in economic planning. Heavy-industry production, though significantly increased, has been reflected to a very limited extent in improved living standards. While the economy has allowed for the basic needs of the population, it is capable of providing marked increases in availability of most consumer goods without calling on imported supplies.

3. Munitions: This industry, assigned high priorities by policymakers, is well equipped to produce the weapons of modern warfare.

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F. Industry

1. Heavy Industry: A maximum rate of growth of heavy industry continues to be the principal goal of the Soviet economy. The pattern of past and future investment allocations clearly indicates the stress on the growth of heavy industry. The allocation of industrial investment between heavy and light industry during the Sixth Five-Year Plan will be the same as in the Fourth and Fifth Plan Periods - about 71 percent for heavy industry and 9 percent for light.

Emphasis on heavy industry will strengthen the USSR's military position, increase its international prestige, and enable it to penetrate underdeveloped economies with capital exports. The avowed Soviet long-run objective of overtaking the United States not only in absolute but in per capita production appears to project such a policy far into the future. At present, Soviet heavy industrial output is about one-third of US heavy industrial output. By 1960 Soviet heavy industry will be about 40-45 percent of its US counterpart.

2. Light Industry: Output of consumer goods continues to play a secondary role in Soviet industry. However the increase in consumer goods output will provide for a gradual improvement in Soviet living standards during the Sixth Five-Year Plan period. The growth of this sector is limited by its dependence on a slow growing agricultural base and by relatively small investment allocations.

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3. Munitions: This industry, which continues to be a high priority claimant of materials and manpower, is well equipped to supply the Soviet military establishment with modern, complex weapons.

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G. Foreign Trade

1. Principal Exports (non-Orbit): Traditionally, the principal exports have been agricultural products (primarily grains), timber, furs and gold. In late 1953 other precious metals and petroleum commanded a more significant share of the total value of exports. The bulk of export trade with non-orbit states, which in 1954 amounted to \$504 million, has been with Western Europe. Approximately 17 percent of the total went to other countries.

2. Principal Imports (non-Orbit): The major imports from non-orbit states, which in 1954 had an aggregate value of \$574 million, are manufactured goods, textile fibers, machinery and transport equipment. Over three quarters of these imports originated in Western Europe, the remainder in other areas.

3. Trade within the Sino-Soviet Bloc

a. Principal Exports: Trade with the Eastern European Satellites and China accounts for roughly 80 percent of the USSR's total foreign-trade volume in 1954 \$4.9 billion. The most significant exports to Eastern Europe are machinery, vehicles and metals. The export pattern, however, varies in accordance with the requirements of different Satellites. For example, petroleum is shipped to Czechoslovakia and Poland; agricultural products to East Germany, Czechoslovakia and Albania; and timber to East Germany and Hungary. Shipments to China are primarily

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machinery, vehicles, metal and petroleum products. Approximate values of 1952 Soviet exports to these countries are as follows: Albania, \$6,000,000; Bulgaria, \$110,000,000; Czechoslovakia, \$280,000,000; East Germany, \$400,000,000; Hungary, \$100,000,000; Poland, \$250,000,000; Rumania, \$150,000,000; and China, \$500,000,000.

b. Principal Imports: According to the terms of the bilateral trade agreements under which trade within the Sino-Soviet Bloc is conducted, the value of exchanges between any two countries is to balance annually. Even if planned trade is not completed by the close of the accounting year, the accounts are kept open until the agreements have been completed. Imports from these states vary with the resources of the different countries in the bloc. The USSR obtains heavy machinery, uranium and metallurgical products from Czechoslovakia; rolling stock, coal and chemicals from Poland; machinery and chemicals from East Germany; bauxite, electrical equipment and rolling stock from Hungary; petroleum, chemicals and lumber from Rumania; and ores, concentrates, metals, and agricultural products from China. The 1953 value of imports from these countries is roughly equivalent to the value of exports.

H. Telecommunications

1. Domestic

a. Media

Both wirelines and radio are utilized in the telephone, telegraph, and broadcasting services of the USSR. For almost all services,

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radio is employed in greater proportion than wireline in most other countries. Wireline coverage of the European USSR is relatively complete, supplemented by some microwave radio relay facilities. In the Asiatic area, density of wirelines lessens proportionately to distances from Moscow and commensurately with population densities. However, a single trunk wireline route parallels the Trans-Siberian Railway to Khabarovsk and Vladivostok. In the absence of adequate wireline facilities, long-range radio is utilized, either supplementally, in parallel, or independently, particularly in the Far East.

b. Services

Telegraph service is available throughout the USSR. The civil system is estimated to handle more than 200 million telegrams annually.

Telephone service is not as extensively available as telegraph service, but is being expanded steadily in service volume and in geographical coverage to rayon centers.

Aural broadcasting, an important propaganda medium, is carried on by 160-170 radio transmitters on low, medium and high frequencies, supplemented by wire relay centers, to an estimated 20-21 million reception points—both independent radio receivers and wired loudspeakers. Television service is offered by eleven of the larger cities to some million TV receivers.

In addition to the civil systems, telecommunications services are carried on in connection with military, para-military, aviation, maritime,

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hydrometeorological, and other industrial activities.

2. International

From Moscow, and a number of "gateway" cities, both radio and wire lines are employed in international communications on the Eurasian land mass. Wirelines are predominant in connections to most countries of Western Europe, Turkey, Iran and Afghanistan in the Near-Middle East, and China in the Far East. Most overseas international traffic is passed by radio; little use is made of submarine cables.

I. Transportation

1. Railroads: The Soviet railroad system, second only to that of the US in length, carries approximately 85 percent of all freight traffic. While performance in the USSR slightly exceeds that of the US, rail traffic in the US accounts for only some 49 percent of total freight handled. The rail net forms a wedge-shaped pattern which extends from Leningrad to the Black Sea in European USSR and tapers to a point in the vicinity of the Kuznets Basin in Central Siberia. Of the more than 76,000 route miles of track, about 30 percent lies east of the Urals. All railroads are wide gauge (5'), with the exception of some 3 percent of the trackage which is narrow gauge. The track is generally well maintained and plant and equipment are steadily being modernized for more efficient utilization. With lines and equipment worked intensively, rail traffic in 1955 was approximately 606 billion short ton-miles.

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2. Roads: Motor transport, which carries approximately 3 percent of the total Soviet freight volume, is important only as a short-haul carrier. In 1955 the aggregate length of all types of motorable roads was approximately 948,000 miles of which no more than 14,400 miles were suitable for all-weather operations. As yet, lack of a modern inter-city highway net, however, is not considered a major hindrance to Soviet economic development.

3. Merchant Marine: As of 31 December 1955 the Soviet merchant fleet, which carried about 6 percent of total freight traffic, totaled 730 vessels of about 2,500,000 gross registered tons. Over half of the vessels, which included 560 freighters, 67 tankers, 63 cargo passenger vessels and 40 miscellaneous units are obsolescent. The USSR has made persistent attempts to modernize and expand its fleet by purchasing vessels from non-Bloc countries and heavy use is made of chartered Western shipping for its trade with the West. Soviet vessel operations are largely limited to intra-Bloc trading. The principal Soviet seaports are: Black Sea - Odessa, Batumi, Poti and Novorossiisk; Baltic Area - Leningrad, Riga, Tallin and Kaliningrad; Arctic Area - Murmansk and Archangelsk; Soviet Far East - Vladivostok and Makhodka.

4. Inland Waterways: Inland waterway transport accounts for about six percent of internal freight traffic. There are at present approximately 81,000 miles of water routes in use, with the heaviest traffic concentration in the European USSR. Full exploitation of the waterways is hampered by the

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reluctance of many shippers to depend on the waterways which are not available on a year-round basis and by the north-south direction of flow of their main rivers.

5. Civil Airlines: The civil carrier Aeroflot, has a network of 110,500 unduplicated route kilometers as measured by the 1954-55 winter schedule. Aeroflot provides connections with the capitals of the Soviet republics and major oblast centers as well as with the capitals of the European Satellites. Connections in the Far East are provided by the Civil Air Fleet of the Chinese People's Republic at Irkutsk and Alma Ata for Peking, and by the Civil Air Fleet of the Democratic People's Republic of North Korea, at Chita for Pyongyang.

Services outside the Bloc are covered by air agreements on a government level with Finland, Austria, Afghanistan and Yugoslavia as well as recent pacts with Norway, Denmark and Sweden. Interline agreements between Aeroflot and various companies such as British European Airways, Swissair, Sabena of Belgium, Air France and Air India International provide services with exchange points at Prague, Helsinki or Vienna. The only Western airline at present flying a scheduled service to Moscow is the Finnish carrier Aero O/Y.

Aeroflot has only twin-engine aircraft in service, - the Li-2 (CAB), Il-12 (COACH) and Il-14 (CRATE). A jet transport TU-104 (CAMEL) has recently appeared on special flights but no jet passenger transport has yet appeared on scheduled civil air routes.

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V. General Data

A. Population: Approximately 219,500,000 (1 Jan 1956)*

* This figure is based on project wise prepared by the U.S. Bureau of the Census. Principal areas of growth were central and eastern Siberia, central Asia, the Urals and southeastern Ukraine, with few and scattered minor gains in other parts of European Russia.